TD

Distr.
LIMITED

TD/B/C.4/AC.11/L.1
11 March 1992

United Nations Conference on Trade and Development

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Group of Experts on Multimodal Transport
Geneva, 9 March 1992
Agenda item 7

DRAFT REPORT OF THE GROUP OF EXPERTS ON MULTIMODAL TRANSPORT

which met at the Palais des Nations, Geneva, from 9 to 13 March 1992

Rapporteur: Mr. Eric Bubeer (Australia)

CONTENTS

Paragraphs

Introduction ..... -

Chapter

I. Developments in the field of multimodal transport, containerization, and technological development ..... -

II. Principal problems faced by users and providers of multimodal and/or container transport operations ..... -

V. Organizational matters ..... -

GE.92-50519

Introduction

1. In paragraph 1 of its resolution 67 (XIV), adopted on 29 June 1990, the Committee on Shipping requested the Secretary-General of UNCTAD:

(a) "To convene during 1991, within available resources, a group of experts for one week:

(i) To discuss developments in the field of multimodal transport and containerization wherever there is a sea link;

(ii) To take stock of the principal problems that are experienced by users and providers of multimodal and/or container transport operations wherever there is a sea link; in doing so, the experts should pay due account to problems identified by UNCTAD as rendering the introduction of modern transport technology difficult in developing countries, in particular:

- inadequate transport infrastructure;
- non-availability of investment;
- lack of expertise of qualified operators;
- lack of nesessary information of officials concerned;
- inadequate legislation such as customs regulations;
- unbalanced flow of container traffic; and
- reducing the technology gap between developed and developing countries with regard to implementation of multimodal transport and electronic data interchange;

(iii) To suggest elements of a future programme of work for the Committee in the field of multimodal transport and containerization wherever there is a sea link, bearing in mind that a major objective is to assist in practical terms multimodal transport operators and the multimodal transport of goods of developing countries;

(b) To select, in accordance with the usual principles of geographical distribution, 19 countries, which shall propose experts, from among whom the Secretary-General of UNCTAD will appoint 19 experts, also in accordance with the usual geographical distribution, to participate in the group of experts in their personal capacity. They should include representatives of shippers/shippers' organisations, multimodal transport operators, shipowners and government officials. Observers representing sectors mentioned above and being directly involved in multimodal transport operations and containerization as well as representatives of intergovernmental organisations and United Nations regional commissions may attend the meeting of the group of experts;

(c) To make available for such a meeting of the group of experts full conference facilities including one six-language team of interpreters."

2. The Committee further requested the Secretary-General of UNCTAD to make available the proposals and recommendations made by the group of experts for further consideration in order to enable UNCTAD to adopt its future programme of work in the field of multimodal transport and containerization wherever there is a sea link.

3. The session of the Group of Experts on Multimodal Transport was accordingly convened by the Secretary-General of UNCTAD at the Palais des Nations, Geneva, from 9 to 13 March 1992, in accordance with the UNCTAD calendar of meetings.

4. In the course of its session, the Group held two plenary meetings and a number of informal meetings. Its substantative discussions under agenda items 3, 4, and 5, were conducted mainly in the informal meetings, in accordance with the decision taken at the opening plenary meeting, on 9 March 1992. In accordance with this decision, observers were allowed to participate in the proceedings of the informal meetings.

Introductory statements

5. The Deputy Secretary-General referred to the declaration and commitment adopted unanimously by the member States at the end of UNCTAD VIII, which stressed the need to to try out new methods of work in UNCTAD and suspended all existing committees, including the Committee on Shipping, for a four-year period (until UNCTAD IX). In their place, four new committees had been created, one on commodities, one on poverty alleviation, one on ECDC and one on services. The present terms of reference of the - now suspended - Committee on Shipping would be included in those of the new Committee on Services, and the terms of reference of that new committee on services will include not only insurance but also other areas of services dealt with by UNCTAD.

6. Another development emerging from the Cartagena Commitment was the possibility of the establishment of ***ad hoc*** working groups dealing with new or emerging aspects of long-standing problems which, because of their complexity, would require detailed analysis, examination and reflection. As an initial step, five such *ad hoc* working groups had been established by the Conference to deal with: (i) investment and financial flows; (ii) trade efficiency; (iii) comparative experiences with privatization; (iv) expansion of trading opportunities for developing countries: and (v) interrelationship between investment and technology transfers. These *ad hoc* working groups would report either to the appropriate committee or to the Trade and Development Board. In this connection, the Board was requested to examine the problems and opportunities which the developing countries, as well as the countries with economies in transition to market economies, were encountering in increasing their participation in international trade in goods and services in the 1990s. Furthermore, all Governments were urged to strengthen the competitiveness of their services sectors and improve their access to distribution channels and information networks.

7. The Group of Experts on Multimodal Transport could be regarded as a harbinger of these new *ad hoc* working groups. The Group had been convened in order to deal with a very specific issue, that of multimodal transport, and it comprised - both among its experts and among the observers - a very good balance between of private and public sector representatives, exactly as desired by UNCTAD VIII.

8. The problems to be dealt by the Group were complex and required detailed analysis, examination and reflection, as had been recognized by the Committee on Shipping. Consequently, the Group might wish to decide to ask the Secretary-General of UNCTAD to consider ways in which substantive discussions on multimodal transport and containerization issues could be continued at both the political and to technical levels within UNCTAD.

9. The world was changing and moving towards the situation in which governmental, intergovernmental and private industry organizations would work together harmoniously with a view to creating a better society. This could of course only be achieved if there was co-operation without mistrust. One recent example of such co-operation concerned the elaboration of the UNCTAD/ICC Rules for Multimodal Transport Documents, which had been jointly negotiated by the industry, through the International Chamber of Commerce, and UNCTAD; this success was an invitation to collaborate further such agreements.

10. Finally, because of the decisions taken by UNCTAD VIII in Cartagena, the Group of Experts' mandate as set out by the Committee on Shipping had to be slightly modified so that the elements for a future programme of work in the field of multimodal transport and containerization should be presented to the committee dealing with services.

11. The Director of the Shipping Division stressed that Group of Experts stressed that the meeting of the Group of Experts provided a unique opportunity to "think together" on the development of multimodal transport throughout the world.

12. Containerization had brought about a revolution in all modes of transport and had created an important new concept in transport economy. Unitization of cargo and economies of scale were the main issues. With the introduction of electronic data interchange (EDI), transport service providers were integrating their services in efficient transport chains, and the concept of value-added transport chains was becoming increasingly important. It had led to the development of new services such as third-party logistics services, but it had also been the basis for the creation of very large transport operators, the so-called mega-carriers, who took ad-

vantage of the potentialities offered by containerization and modern transport technology. Double-stack trains, block trains and piggy-back transport operations were examples of how a transport mode could increase its capacity through operational improvements.

13. The Multimodal Transport Convention signed in 1980 had not yet entered into force, and as a result commercial parties felt the need to develop an international set of rules which could protect their operations in the present vacuum of international multimodal transport legislation. The UNCTAD/ICC Rules were a demonstration of co-operation between commercial and intergovernmental parties. The entry into force in November 1992 of the Hamburg Rules would affect commercial attitudes, and that might merit analysis.

14. With regard to the problems faced by Governments, developing countries and countries into process of transition to a market economy were facing three key issues: (i) awareness of the impact of developments on international transport; (ii) the need for national consultations between all sectors involved in trade and transport; and (iii) the need to participate in international fora to assume jointly the necessary adjustments deriving from these developments.

15. Multimodal transport issues were complex, since they made it necessary for Governments to give simultaneous attention to various questions such as transport legislation, trade and transport facilitation, infrastructure development, transport mode operations and human resource development. Multimodal transport not only required creativity and innovation in developing logistics organizations to move cargo, it also required an institutional and commercial environnment which was beyond the transport sector.

16. UNCTAD had been designated by the Economic and Social Council and the General Assembly as the focal point within the United Nations system for the study of global aspects and issues on international multimodal transport and containerization. The complicated substantive issues associated with the implementation of multimodal transport at national, subregional and global levels required in-depth discussions between the concerned governmental bodies and commercial parties, including transport providers and users. Sharing experiences, concerns and views formed an integral part of the process of building consensus, defining common interests and promoting convergence towards the practical implementation of efficient total transport chains with a view to facilitating world trade.

17. In view of the highly specialized nature of the issues, a forum must be found within UNCTAD for the continued substantive discussion of issues relating to international multimodal transport and containerization to analyze and propose answers to the political (rather than technical) questions before the issues were taken up at higher inter-governmental levels for policy decisions.

Chapter I

DEVELOPMENTS IN THE FIELD OF MULTIMODAL TRANSPORT, CONTAINERIZATION AND TECHNOLOGICAL DEVELOPMENT

(Agenda item 3)

18. For its consideration of this agenda item, the Group of Experts had before it the following documents:

- "Block train services in multimodal transport" - report by the UNCTAD secretariat (TD/B/C.4/AC.11/2);
- "The effects of EDP and EDI on transport organizations and users" - report by the UNCTAD secretariat (TD/B/C.4/AC.11/5);
- "Developments in the field of container standards" - report by the UNCTAD secretariat (TD/B/C.4/AC.11/6);
- "Developments in multimodal transport" - report by the UNCTAD secretariat (TD/B/C.4/328);
- "Information material for shippers to make the most efficient use of multimodal transport" - report by the UNCTAD secretariat (TD/B/C.4/330);
- "Review of developments in standardization of containers and related activities" - report by the UNCTAD secretariat (TD/B/C.4/329);
- "UNCTAD/ICC Rules for Multimodal Transport Documents";
- Multimodal Transport Newsletters Nos. 2 and 3; and
- "Review of maritime transport 1990" (TD/B/C.4/340).

19. On the basis of these documents the Group of Experts took stock of the main developments in the field of multimodal transport, containerization and technological developments and made recommendations concerning the programme of work in these fields.

20. The Group noted that positive action to improve total distribution of countries' overseas trade was required, and that many countries would find that, by accepting inefficient and uneconomical situations in which the cost of supplying raw materials or distributing finished goods kept rising, they might price themselves out of their markets.

21. The Group emphasized that container block trains represented an ecologically and commercially sound response from railways to the new requirements of the transport industry. They also represented an important element in multimodal transport services. An efficient, fast and reliable service providing guaranteed transit times, co-ordinated with ocean carriers' schedules, was attractive to shippers and might enhance the revenue-earning potential of a railway, while the lack of such reliability might discourage potential customers from using block trains.

22. Reliability and regularity of services, independence from certain regulatory restrictions which applied to other modes of transport, and environmental and energy efficiency were assets that made railways an attractive solution to container transport problems. The Group felt that the creation of inland clearance depots (ICD) or dry ports and the establishment of land-bridge services might contribute to the introduction of container block train operations. At the same time, it stressed that to obtain the full advantages of such container block train services, their introduction might require capital investments and modern methods of railway operation.

23. The Group agreed that the general conditions for the operation of container block trains in developing countries (experience of workforce, traffic density, technical conditions of railway track and structures, rolling stock, signalling installations, etc.) were different from those of most developed countries.

24. The Group recommended that countries wishing to promote their transport corridors should consider the advantages inherent in the operation of block train services: not only did such services draw containers away from (congested) highways, but the operation of rail services was also ecologically less damaging to the environment than road transport. Railways consequently should:

(a) Consider the development of container block train services including the necessary facilities;

(b) Actively discuss potential user requirements with other transport providers such as road hauliers, freight forwarders, shipping companies and MTOs with particular reference to Customs laws, regulations and practices; and

(c) Consider the establishment of a competitive and flexible tariff structure.

Under certain conditions, consideration should be given to the operation of privatized services where the (private) container block train operator leased equipment from the railways and paid a fee for the use of the right of way.

25. The Group agreed that whilst the use of electronic data interchange (EDI) and electronic data processing (EDP) for commercial and administrative transactions offered a new and higher degree of services to the trading and transport community, its implementation was a complex matter.

26. The Group was of the opinion that:

(a) If trading efficiency was to be enhanced through improved transport services, there was an urgent need for transport providers to take full advantage of modern electronic communications developments;

(b) For this to occur, the necessary technological infrastructure must be in place at a national/international level;

(c) Governments should encourage local training institutions to provide courses in information technology so that users would be able to select, install, and use appropriate hardware and software.

27. Regarding developments in the field of container standards, the Group recognized that many countries had invested and continued to invest heavily in equipment and infrastructure to handle containers which conformed to current ISO standards. For this reason the Group also recognized the need for such countries to have confidence in the stability of current ISO standards. However, they further recognized that market requirements in some specific transport corridors might warrent the use of larger-than-current-standard containers.

28. The Group noted that a seminar convened by the Economic Commission for Europe (ECE), with the assistance of the UNCTAD secretariat, had been held in November 1989. This seminar had dealt with the impact of the increased dimensions of unit loads of combined transport. UNCTAD's association with this seminar had encouraged developing countries to take an active part in the discussion and to make their voices heard in the formulation of the recommendations.

29. The Group further noted that a second seminar on the impact of the increasing dimensions of loading units on combined transport had been scheduled by ECE to take place from 1 to 7 September 1992. Recalling the success of the association of UNCTAD with the previous seminar, the ECE representative advised the that similar arrangements would be made for the September 1992 seminar.

30. The Group of Experts decided to keep the subject of container standards as a core element in the programme of work and considered that the UNCTAD secretariat continue its activity in monitoring developments in the field of international container standards. It also considered that the UNCTAD secretariat should continue to liasie between ISO and developing countries on this subject.

31. The Group took note of the new UNCTAD/ICC Rules for Multimodal Transport Documents and suggested that the ICC *Ad Hoc* Working Group on Multimodal Transport promote their global use.

Chapter II

PRINCIPAL PROBLEMS FACED BY USERS AND PROVIDERS OF MULTIMODAL AND/OR CONTAINER TRANSPORT OPERATIONS

(Agenda item 4)

32. For its consideration of this agenda item, the Group of Experts had before it the following documents:

- "Problems and requirements that arise from broad economic reforms and restructuring of selected countries" - report by the UNCTAD secretariat (TD/B/C.4/AC.11/3); and
- "Practical problems faced by Governments and commercial parties involved in multimodal transport operations to and from developing countries" - report by the UNCTAD secretariat (TD/B/C.4/AC.11/4).

33. In the opinion of the Group, lack of experience and shortage of trained and experienced managerial staff for dealing with the various aspects of multimodal transport was a fundamental handicap for the enhancement of trade and transport and needed to be addressed.

34. Considering document TD/B/C.4/AC.11/4, the Group of Experts agreed with the secretariat's identification of three major types of constraints in the development of multimodal transport:

(a) Physical limitation of infrastructure, equipment, technology and human resources;

(b) Inadequate institutional and legal environment within the transport sector; and

(c) Lack of recognition by traders, Governments and transport providers of the potential benefits resulting from use of the appropriate INCOTERM in the sales contract.

35. The Group noted that the introduction of multimodal transport operations, essential for the sustainable development of a country, was hindered not only by limited investments in national transport infrastructure but, more importantly, by a general reluctance to make behavioural changes and administrative reforms which could result in better utilization of existing human and physical and financial resources. Most problems appeared to be of a practical and organizational character, resulting from excessive bureaucracy focused on prevention of actions rather than facilitation of trade. However, the Group also noted that because of the many demands for infrastructure funding, it was unlikely that the quality of transport infrastructure would be improved in the short term.

36. The Group noted the problems faced by container operators as a result of imbalances in traditional cargo flows and suggested that the commercial parties consider the possible containerization of commodities which now moved non-unitized in order to alleviate this problem.

37. The Group recognized the benefit to the national economy resulting from competition between MTOs and their participation in the transport chain and stressed the importance of multimodal transport in the enhancement of trade. Close co-ordination between traders, government bodies, transport users and providers was required to achieve better balance of transport facilities. Particular attention should be paid to the implications of control of attempted imports of prohibited goods. The Group consequently requested the UNCTAD secretariat to include in its technical assistance programme an element covering assistance to Governments in the field of design and implementation of appropriate institutional frameworks whereby the necessary level of Customs controls could be exercised without impeding the speed or increasing the cost of the transport activity.

38. The Group noted the inconsistency between the desire for international multimodal transport and the traders' choice of INCOTERM. In other words, the use of terms such as fob and cif were incompatible with international multimodal transport.

39. It was further noted by the Group that the appointment of an MTO by a trader depended upon the INCOTERM selected in the sales contract. Cip provides the seller with the authority to

appoint the MTO, while fcp gave that authority to the buyer. The Group consequently requested the UNCTAD secretariat to continue with vigour its programme of multimodal transport workshops., in conjunction with the ICC's desimination of information concerning the ICC INCOTERM, documentary practices and the UNCTAD/ICC Rules for Multimodal Transport Documents.

40. The Group noted that in the transitional processes in the trade and transport sectors, infrastructure improvements, necessary though they might be, could not be accomplished in the short term, and maximum utilization of existing infrastructure must therefore be made through changed institutional arragements and the application of action-oriented management procedures.

41. The Group recognized that because of the complexity of multimodal transport, there was a need for Goverments to consider whether they have the appropriate level of regulation of multimodal transport and suggested that the elements contained in paragraph 161 of document TD/B/C.4/AC.11/4 provided a useful point of reference.

42. Considering document TD/B/C.4/AC.11/3, the Group of Experts discussed the main problems in the field of multimodal transport and containerization faced by countries in transition to market economies. These countries had at their disposal basic transport systems which had satisfied the requirements of their economies reasonably well in the past. However, there was an critical need for rehabilitation and the improvement of equipment and operating methods. The Group considered that transport and distribution sectors would play a key role in the transition to a market economy. Attention should be given to eliminating bottlenecks, especially at rail and road frontier crossings, and filling in gaps in the domestic transport network, for example through greater use of inland waterways and combined transport operations.

43. Taking into account in particular the fact that the improvement of trade conditions for the developing countries, as well as "countries undergoing the process of transition to market economies" had been identified by UNCTAD VIII as being among the priority areas for UNCTAD's substantative work, the Group decided to include in the programme of work an item on multimodal transport assistance for the transport systems of countries with economies in transition to a market economy.

44. The Group of Experts identified and decided to include in the new programme of work in the field of multimodal transport and containerization the following items dealing with three fundamental areas in which countries might need assistance:

(a) Creation of awareness on multimodal transport issues among commercial parties and Governments;

(b) Provision of practical and up-to-date information to decision-makers on measures to be taken to enhance trade through more extensive use of multimodal transport; and

(c) Studies on current trends in multimodal transport and technological developments related to interactions between transport, trade growth and sustainable development and their corresponding implications.

45. The Group stressed that close co-operation between the private and public sectors of the industry was essential for the promotion of trade. In this regard, the Group of Experts requested the UNCTAD secretariat to arrange workshops on multimodal transport in order to assist countries with the rapid and effective introduction of the concept of multimodal transport in their transport services.

46. The Group considered the problems surrounding necessary human resource development and recommended that the UNCTAD secretariat strengthen its assistance to Governments, transport operators and traders in the improved used of existing resources, as well as focus on changes in behavioural patterns leading to a high degree of action-oriented management behaviour. The Group also noted the inadequate institutional and legal environment within which multimodal transport generally existed in some countries and requested the UNCTAD secretariat, through its technical assistance programme, to continue to support efforts to improve this situation. Finally, it recommended that the UNCTAD secretariat continue to work closely with the ICC and other commercial parties in a programme whereby traders, government officials and transport providers recognized the potential benefits arising from control of the transport chain.

Chapter V

ORGANIZATIONAL MATTERS

A. Opening of the session

47. The Group of Experts was opened on 9 March 1992 by the Deputy Secretary-General of UNCTAD, who made an introductory statement. The Director of the Shipping Division also made a statement to the Group of Experts.

B. Election of officers
(Agenda item 1)

48. The Group unanimously elected Mr. J. P. Bendomir (Argentina) as Chairman and Mr. E. Bubeer (Australia) as Vice-Chairman-*cum*-Rapporteur.

C. Adoption of the agenda and organization of work
(Agenda item 2)

49. At its 1st meeting, on 9 March 1992, the Group of Experts adopted the provisional agenda prepared by the UNCTAD secretariat (TD/B/C.4/AC.11/1), as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Developments in the field of multimodal transport, containerization, and technological develop
4. Principal problems faced by users and providers of multimodal and/or container transport operations
5. Draft future work programme in the fields of multimodal transport, containerization, and techn
6. Other business
7. Adoption of the report of the Group of Experts.

50. Because of the interrelationship between the issues addressed under items 3 and 4, the Group decided to consider these issues jointly but to have them reported separately.

D. Attendance

51. The session was attended by experts designated by the Governments of: Argentina, Australia, Belgium, Bulgaria, China, Cuba, Denmark, Egypt, Germany, Ghana, India, Lebanon, Mexico, Nigeria, Norway, Philippines, Poland, Russian Federation and the United States of America.

52. Representative of the following states attended as observers: Algeria, Argentina, Australia, Belgium, China, Democratic People's Republic of Korea, Ghana, India, Israel, Kenya, Madagascar, Mexico, Morocco, Nigeria, the Philippines, Poland, Romania, Russian Federation, Spain, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland.

53. The Economic Commission for Europe, Economic and Social Commission for Asia and Pacific, Economic Commission for Latin America and the Caribbean, Economic and Social Com-

mission for Western Asia were represented at the meeting.

54. The following specialized and related agency was repreaented at the meeting: World Bank.

55. The following intergovernmetal organizations were represented at the meeting: Board of the Cartagena Agreement, Ministerial Conference of West and Central African States on Maritime Transport, Organization of African Unity.

56. The following non-governemental organizations were represented at the meeting: General Category: International Chamber of Comm erce, International Express Carriers Conference, International Organization for Standardization, Special Category: Council of European and Japanese National Shipowners Associations, Federation of National Associations of Forwarding Agents of Latin America and the Caribbean, Institute of International Container Lessors, International Cargo Handling Co-ordination Associations, International Container Bureau, International Federation of Freight Forwarders Associations.

57. Several representatives of the transport industry were also invited to participate in the meeting as observers.

E. Adoption of the report of the Group of Experts
(Agenda item 7)

58. At its 2nd (closing) plenary meeting, on 13 March, the Geoup of Experts adopted the draft report on its session (TD/B C.4/AC.11/L) and authorized the Rapporteur to complete the text as appropriate.